

Message Text

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PAGE 01 ANTANA 01132 160912Z
ACTION EB-08

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E.O. 11652: N/A
TAGS: ETRD, EAGR, MA, US, ECRP
SUBJ: CERP 0400: MADAGASCAR VANILLA SUPPLIES TO THE U.S.

REF:STATE 147783

1. SUMMARY. VANILLA SUPPLIES IN MADAGASCAR ARE VERY TIGHT AT
THIS TIME BUT U.S. IS RECEIVING WELL OF HALF OF EXPORTS.
END SUMMARY.

2. ECONOFF DISCUSSED MADAGASCAR VANILLA EXPORTS TO US WITH LEADING
EXPORTER OF VANILLA. A FEW WEEKS EARLIER, SOURCE HAD GIVEN
FOLLOWING BREAKDOWN OF SITUATION IN MADAGASCAR:
800 TONS REMAIN FROM 1977 CROP: 250 TONS ARE HOARDED BY LOW-
LEVEL MIDDLE-MEN AND PRODUCERS HOPING FOR INCREASE IN PRODUCER
PRICE: ABOUT 350 TONS WILL BE PRODUCED IN 1978. THUS TOTAL
AVAILABLE IN 1978 IS 1400 TONS. SALES TO NORMAL MARKETS
IN 1978; 1050 TONS (OF WHICH 650 OR 700 GOING TO THE U.S.)

3. NOW SOURCE REPORTS ANOTHER 150 TONS HAS BEEN SOLD OUTSIDE THE
NORMAL MARKET, 100 TONS TO EUROPE AND 50 TONS TO CANADA. THUS
SUPPLIES ON HAND AT END OF 1978 WILL BE NO MORE THAN 200 TONS AND
PERHAPS MUCH LESS.

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PAGE 02 ANTANA 01132 160912Z

4. SOURCE POINTS OUT THAT TONNAGE ALLOCATED TO THE U.S.
(WELL OVER 50 PERCENT) IN THIS TIME OF SHORT SUPPLY INDICATES
THAT U.S. IS NOT DISCRIMINATED AGAINST. SOURCE BELIEVES THAT
COMPLAINTS TO INTERNATIONAL ASSOCIATION OF ICE CREAM MANUFACTUREES,
PRESUMABLY STEMING FROM SOME OF ITS MEMBERS, MAY REFLECT SEVERAL
FACTORS INCLUDING THE FOLLOWING: (A) RECENT CHANGES IN CHEMICAL
ANALYSIS OF VANILLA EXTRACT BY US AUTHORITIES HAVE INCREASED

DEMAND FOR MADAGASCAR'S HIGH QUALITY VANILLA. (B) SOME ICE CREAM MANUFACTURETS ARE VICTIMS OF SPECULATORS WHO MAY BE CHARGING FAR MORE THAN CURRENT 30 DOLLARS PER KILO FOB PRICE. (C) SOME ICE CREAM MANUFACTURERS MAY HAVE LAST BOUGHT VANILLA AT 1976 PRICE OF ABOUT 18 DOLLARS AND ARE NOW BEING CHARGED 1978 PRICE OF 30 DOLLARS RATHER THAN 1977 PRICE OF APPR. 24 DOLLARS. (D)SHARP MERCHANTS MAY BE SELLING 1977 VANILLA AT 1978 PRICES.

5. SOURCE REPORTS THAT MADAGASCAR GOVERNMENT, AGAINST HIS URGINGS AND THOSE OF OTHER EXPERIENCED EXPORTERS, CONTINUES TO HOLD PRICE TO PRODUCER AT UNREASONABLY LOW 6 DOLLARS PER KILO FOR THE CURED BEANS, WHICH EXPLAINS LOW PRODUCTION IN 1977 AND 1978. HOWEVER, HE BELIEVES THAT IN SPITE OF THIS LOW PRODUCER PRICE, VINES WILL PRODUCE ABUNDANTLY IN 1979 AS A DIRECT RESULT OF THEIR LOW PRODUCTION IN 1977 AND 1978. DECONTROL UPON RECEIPT. BARRETT.

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